



An Audit of the Texas Department of Motor Vehicles

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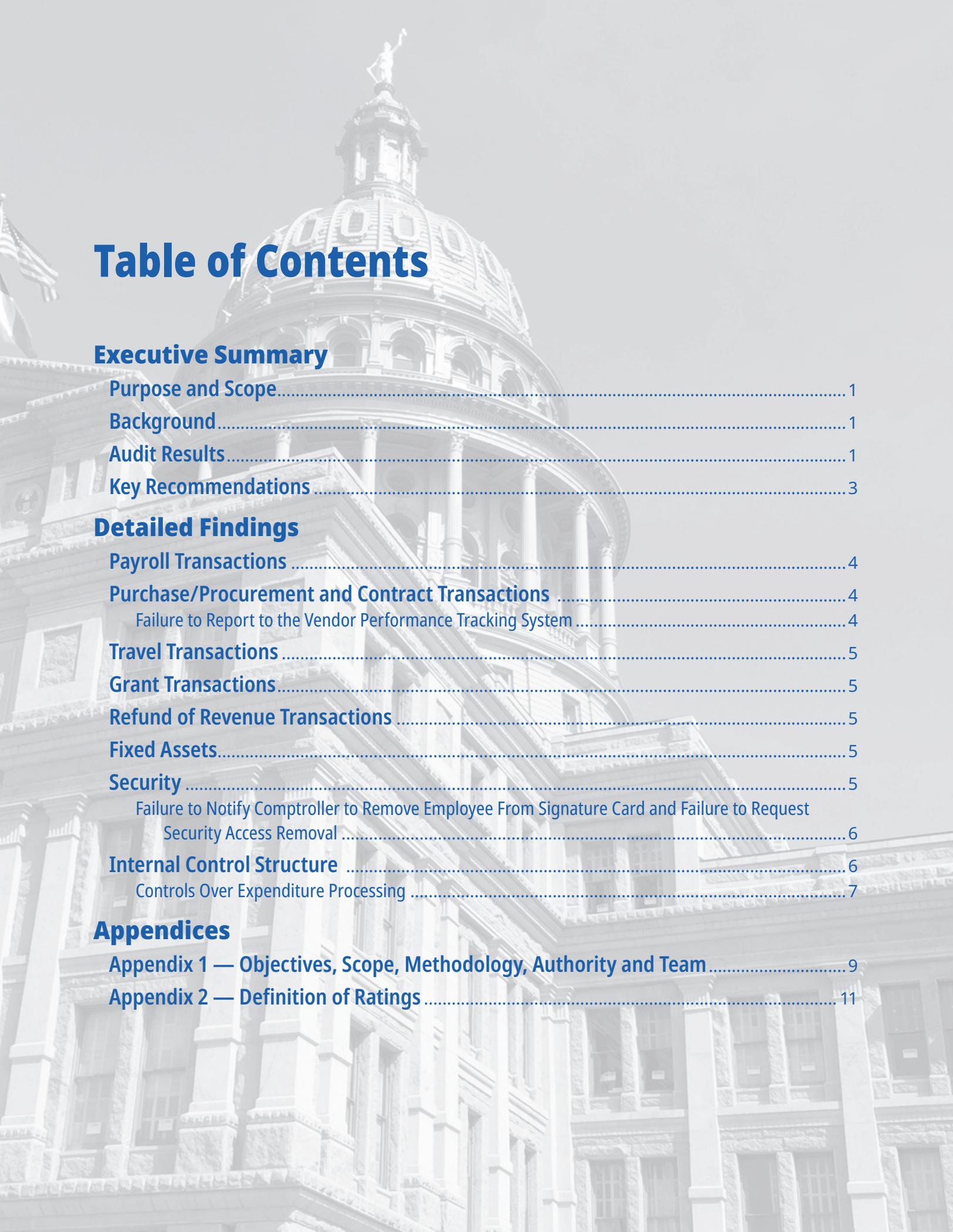


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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas Department of Motor Vehicles (Department):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office) and covers the period from Dec. 1, 2019, through Nov. 30, 2020.

Background

The Texas Department of Motor Vehicles was created by the state Legislature in 2009 and became operational that year. The Department registers vehicles, regulates vehicle dealers, credentials buses and big trucks for intrastate and interstate commerce, issues oversize and overweight permits, and awards grants to law enforcement agencies to reduce vehicle burglaries and thefts.

Texas Department of Motor Vehicles website
<https://www.txdmv.gov/>

Audit Results

The Department largely complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with payroll, travel, grant, and refund of revenue transactions and property management. However, the Department should consider making improvements to its procurement, security and segregation of duties processes.

The auditors reissued one finding from the last audit conducted at the Department related to vendor performance reporting. Auditors originally issued this finding in April 2021. An overview of audit results is presented in the following table.

Table Summary

Area	Audit Question	Results	Rating
Payroll Transactions	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Purchase and Contract Transactions</u>	Did purchase and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	 Failure to report to the Vendor Performance Tracking System.	Compliant, Findings Issued
Travel Transactions	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Grant Transactions	Did grant transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Refund of Revenue Transactions	Did refund of revenue transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System?	No issues	Fully Compliant
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	Control weakness over expenditure processing.	Control Weakness Issues Exist
<u>Security</u>	Are Department employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to notify Comptroller to remove employee from signature card and failure to request security access removal.	Control Weakness Issues Exist

 Repeat Finding



Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- Reporting required contracts and purchases to the Vendor Performance Tracking System (VPTS).
- Ensuring compliance with the security revocation requirements for terminated employees.
- Segregating expenditure processing tasks to the maximum extent possible to ensure that no individual can process payments without oversight.



Detailed Findings

Payroll Transactions

Auditors developed a sample of 30 employees with 148 payroll transactions totaling \$353,659.58 to ensure the Department complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed no exceptions in this group of transactions.

Purchase/Procurement and Contract Transactions

Auditors developed a sample of 40 purchase transactions totaling \$11,831,252.28. Two contracts totaling \$533,795.96 were also selected for review, for one contract a sample of two contract payments totaling \$103,504.80 and for the other contract all 62 payments totaling \$375,185.26 were reviewed to ensure the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), [State of Texas Procurement and Contract Management Guide](#) and pertinent statutes. Audit tests revealed one exception for this group of transactions.

Contract	Amount	Type of Service	Procurement Cycle				
			Planning	Procurement Method Determination	Vendor Selection	Contract Formation/Award	Contract Management
Contract A	\$481,187.96	Temporary Employees	No exceptions	No exceptions	No exceptions	No exceptions	No exceptions
Contract B	\$52,608	Printing of Vehicle Registrations	No exceptions	No exceptions	No exceptions	No exceptions	Failure to report to the VPTS.

Failure to Report to the Vendor Performance Tracking System

For one of the two contracts auditors reviewed, the Department did not report the vendor’s performance to the VPTS after taking delivery of the goods ordered. The Comptroller’s Statewide Procurement Division (SPD) administers the VPTS for use by all ordering agencies per [34 Texas Administrative Code Section 20.115](#). The VPTS relies on agency participation to gather information on vendor performance. All agencies must report vendor performance on purchases over \$25,000 from contracts administered by the SPD or any other purchase over \$25,000 made through delegated authority granted by SPD. Ordering entities are also encouraged to report vendor performance for purchases under \$25,000. The requirement also calls for the provision of supporting documentation. See [Texas Government Code, Section 2155.089](#). According to the Department, this occurred due to an ineffective peer review process.



Recommendation/Requirement

The Department should ensure that, as part of its contract close-out process, vendor performance is reported to the VPTS, which is maintained by SPD. This reporting is required for all contracts and purchases with a value greater than \$25,000.

Department Response

A contract and purchaser order close out process was implemented in December 2021 that requires a contract close out to be conducted for any contract or PO with a value of \$25,000 or greater. Part of this process and included in the closeout checklist is a certification that a vendor performance report is filed in the VPTS.

Travel Transactions

Auditors developed a sample of 15 travel transactions and three non-overnight travel transactions totaling \$3,375.61 and \$57.42 to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Grant Transactions

Auditors developed a sample of three grant transactions totaling \$764,278.50 to ensure the Department complied with state laws and regulations pertaining to grants/loans and other pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Refund of Revenue Transactions

Auditors developed a sample of five refund of revenue transactions totaling \$251,438.25 to ensure the Department complied with the GAA, [Refunding Deposits \(APS 013\) \(FPP A.033\)](#) and pertinent statutes. Audit tests revealed no exceptions for this group of transactions.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) System. Audit tests revealed no exceptions in these transactions.



Security

The audit included a security review to identify Department employees with security in the Uniform Statewide Accounting System (USAS) or on the voucher signature cards who were no longer employed or whose security had been revoked. At termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed the following exception.

Failure to Notify Comptroller to Remove Employee From Signature Card and Failure to Request Security Access Removal

During the audit period, the Department failed to timely notify the Comptroller's office about the termination of two employees who had been designated to approve its expenditures. The request to remove one employee's security in USAS was sent four days late and the request to remove the other employee from the signature card was also four days late. This could have permitted the employees to approve electronic and paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by an electronic or paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. The auditors researched the archived files and determined no unapproved documents were processed during the audit period.

When an employee's authority to approve agency expenditures is revoked in USAS for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

For signature cards, whenever a designated employee terminates employment with an agency, the Comptroller's office must receive notification of the employee's termination no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

The Department stated that this occurred due to incomplete internal procedures.

Recommendation/Requirement

The Department must ensure compliance with security revocation requirements for terminated employees. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the termination on or before the dates the revocation becomes effective and follows up with the Comptroller's office to ensure receipt of the notification and that the revocation occurred.



Department Response

Remove Employee from Signature Card: Internal procedures have been updated to ensure that employees are removed from the Signature Card promptly, regardless of whether or not their security access has already been removed or is inactive. A signed memo is required by the TxDMV Executive Director to officially request the removal of employees. The agency security coordinator will proactively route a memo to the Executive Director for review and signature prior to the last physical day the employee will work. Additionally, the department has implemented a three-step approach to contact the Comptroller's office. First, an email is sent by the agency security coordinator to notify the Comptroller that an employee should be removed from the Signature Card. Second, an email is sent by the agency security coordinator with an electronic copy of the signed memo from the TxDMV Executive Director requesting that an employee be removed from the Signature Card. Included in this email will be a request for the Comptroller's office to acknowledge receipt of the notification. Finally, a physical copy of the Executive Director memo is mailed to the Comptroller by the Accounting Operations staff.

Request Security Access Removal: Internal procedures have been updated to no longer wait for the automated email from CAPPs HR indicating that a Manager Self-Service Separation was submitted for the terminated employee. Additionally, all managers are required to send an exit email to a distribution list of relevant staff from Human Resources, Finance and Administrative Services, and Information Technology Services when employees are being terminated. This email includes the last physical day the employee will work and indicates when access should be removed. Agency security coordinators are included on this email distribution and will notify the Comptroller's office and revoke access accordingly. Additional training will be conducted for all managers and agency security coordinators to ensure that this process is followed and deadlines are not missed.

Internal Control Structure

The review of the Department's internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exception in user access.

Controls Over Expenditure Processing

Auditors reviewed certain limitations that the Department placed on its accounting staff's ability to process expenditures. The audit did not review or test any internal or compensating controls that the Department might have relating to USAS, the Standardized Payroll/Personnel Reporting System (SPRS), the Centralized Accounting and Payroll/Personnel System (CAPPs) or the Texas Identification Number System (TINS) security or internal transaction approvals. The review of the Department's segregation of duties was limited to obtaining reports identifying current user access. The audit tests revealed the following exceptions in user access.



- One employee could enter/edit a payment voucher and payroll and release/approve a payment voucher and payroll in USAS.
- A second employee could create/edit/update a vendor or employee profile/direct deposit information and change the warrant hold status of a vendor in TINS, release/approve a payment in USAS, and was on the agency's signature card (could approve a paper voucher for expedite).

The Department received a schedule of these findings during fieldwork. It stated that this occurred due to incomplete review of security profiles for internal promotions. Auditors also ran a report to determine whether any of the Department's payment documents processed through USAS during the audit period because of the action of only one individual. No issues were identified.

Recommendation/Requirement

To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Department implement the following:

1. The Department must limit user access to either enter/change voucher or release/approve batch. If the Department cannot separate the functions and/or does not have other internal mitigating controls in place, the Department must elect to have the document tracking control edit on the Agency Profile (DØ2) set to either:
 - Prevent a user from releasing a batch that the same user entered or altered.
 - or-
 - Warn the user when the same user attempts to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

Additionally, the Department must review the preventive and detective controls over expenditure processing discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#), such as the Risky Document Report (DAFR9840) which identifies documents that the same user entered or altered and then released for processing.

2. The Department must work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS.
3. The Department must limit the access of users who can enter/change voucher or release/approve batch in USAS and who can approve paper vouchers (being on the signature card) to view only access in TINS (PTINS02). An individual must not be able to approve a payment and create or change vendor direct deposit information/profile.



4. The Department must ensure that employees who can approve an expedited payment (being on the signature card) do not have the ability to change a vendor or an employee profile or their warrant hold status in TINS.

Department Response

Internal procedures have been updated to ensure that all existing security access for employees that are changing roles is removed completely before access is requested for their new role. Additional review steps have been added to monthly agency security coordinator reports to flag potential user profile conflicts. Review procedures have also been developed for employees that are on the Signature Card for the agency, to ensure that they do not have the ability to change vendor or employee profiles in TINS. Similarly, an additional step has been added to internal procedures to review TINS access of existing employees, and remove if necessary, prior to adding them to the Signature Card due to a change in role such as a promotion.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas Department of Motor Vehicles (Department) payroll, purchase and travel transactions that processed through USAS and SPRS from Dec. 1, 2019, through Nov. 30, 2020, to determine compliance with applicable state laws.

The Department received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

Amanda Price, CTCD, CFE, Lead Auditor

Jack Lee



Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.